



State Board of Equalization

News Release

Betty T. Yee, Member

1st District – San Francisco

Cynthia Bridges
Executive Director
www.boe.ca.gov

**For Immediate Release
September 10, 2014**

**Contact: Alan LoFaso
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Betty T. Yee Calls for Napa Earthquake Tax Benefits from Federal Disaster Declaration

SACRAMENTO—Betty T. Yee, First District Member of the Board of Equalization (BOE), wrote to President Barack Obama today urging him to act on Governor Brown's request for a federal disaster declaration in Napa, Solano, and Sonoma counties affected by the South Napa Earthquake, citing tax benefits that would come with that action.

“Important tax relief is triggered by a federal disaster declaration to hasten recovery of individuals and businesses so deeply affected by this calamity,” said Board Member Yee.

Key benefits include recognition of disaster losses and the ability to claim refunds earlier based on tax returns filed during this year. View a copy of the [letter](#).

FULL LETTER TEXT BELOW

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Board Member Betty T. Yee was elected to her post in November 2006. Her district includes many of California's coastal counties, from Del Norte to Santa Barbara, and includes the entire San Francisco Bay Area. Ms. Yee previously served as Chief Deputy Director for Budget at the California Department of Finance, covering a wide array of state and local finance policy matters.

The five-member California State Board of Equalization (BOE) is a publicly elected tax board. The BOE collects \$56 billion annually in taxes and fees supporting state and local government services. It hears business tax appeals, acts as the appellate body for franchise and personal income tax appeals, and serves a significant role in the assessment and administration of property taxes. For more information on other taxes and fees in California, visit www.taxes.ca.gov.

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BETTY T. YEE - 余淑婷

MEMBER, FIRST DISTRICT
STATE BOARD OF EQUALIZATION

September 10, 2014

Honorable Barack Obama
President of the United States
White House
Washington, DC 20500

Subject: South Napa Earthquake – Support for Federal Disaster Assistance Request

Dear Mr. President:

I write in support of Governor Edmund G. Brown, Jr.'s request to declare a major disaster for the State of California as a result of the August 25, 2014, South Napa Earthquake that has affected Napa, Solano, and Sonoma counties.

I represent these three counties as an elected Member of the California State Board of Equalization (BOE), which is an independently elected, constitutional agency with direct administrative, adjudicatory, or oversight functions relative to all of California's major tax programs. The BOE has been requested to participate in state-level disaster assistance by Governor Brown's Executive Order, and BOE has fully participated in these efforts. For example, six days after the earthquake, BOE alcoholic beverage tax administrators worked with federal Alcohol and Tobacco Tax and Trade Bureau to inform heavily impacted wine industry businesses of available tax relief at both the federal and state levels.

A presidential declaration of a major disaster to the State of California from the South Napa Earthquake would enable affected taxpayers in Napa, Solano, and Sonoma counties to benefit from additional tax relief. For example, earthquake victims in a federally-declared disaster area may deduct disaster losses on either their 2014 federal income tax returns (due in 2015) or their 2013 tax returns.

California law generally follows federal law regarding the treatment of losses incurred because of a casualty or a disaster. A disaster loss is a casualty loss sustained as a result of a disaster that is not reimbursed by insurance or otherwise. To qualify as a disaster loss for federal purposes, the President of the United States must declare the area in which the disaster occurred as a disaster area, eligible for federal assistance under the Robert T. Stafford Disaster Relief and Emergency Assistance Act. This includes a major disaster or emergency declaration under the Act. A pronouncement by the Governor of California declaring an area as a disaster or emergency area is not enough to qualify as a disaster loss for federal or California tax purposes.



Special income tax rules apply to disaster losses. A taxpayer can claim a disaster loss in the taxable year the disaster occurred or in the taxable year immediately before the disaster occurred on both federal and state income tax returns. The advantage of claiming a disaster loss in the prior year is that the loss will generally reduce the prior year tax liability generating a refund that the Franchise Tax Board (FTB) can quickly issue. Since the earthquake caused significant damage throughout the region, the ability of a taxpayer to receive an income tax refund or reduce its current year tax burden would assist in rebuilding the affected businesses, property owners, and the economy.

Economic impacts of this earthquake are extensive. This disaster caused significant damage throughout the region. While significant damage resulted from this event, the final cost estimates are unknown at this time. The damage to buildings, particularly in historic downtown Napa, are affecting tourism and impacting local businesses.

Because many of the buildings damaged by this earthquake have historic significance, restoration efforts may additionally result in claims under the Rehabilitation Tax Credit. Repairing and reconstructing these structures will require careful design and construction methods not typical of more modern structures. In addition, all rebuilding must adhere to the Secretary of Interior's Standards for Rehabilitation of Historic Structures. Although tax creditable amounts for these covered expenses would not be temporarily increased for this disaster, other tax planning tools made available by the above-described provisions could potentially aid taxpayers with significant rehabilitation responsibilities.

Important tax relief can be triggered by a federal disaster declaration. For this reason and to hasten recovery of individuals and businesses so deeply affected by this disaster, I respectfully urge the action requested by Governor Brown.

Sincerely,

A handwritten signature in black ink, appearing to read 'Betty T. Yee', with a stylized, flowing script.

BETTY T. YEE
Member, First District

cc: Honorable Edmund G. Brown, Jr., Governor, State of California
Honorable Dianne Feinstein, United States Senate
Honorable Barbara Boxer, United States Senate
Honorable Mike Thompson, United State House of Representatives, Fifth District, California
Honorable Noreen Evans, California State Senate, Second District
Honorable Mariko Yamada, California State Assembly, Fourth District
Honorable Mark Levine, California State Assembly, Tenth District
Honorable Jerome Horton, Chair, California State Board of Equalization
Mr. Mark Ghilarducci, Director, Governor's Office of Emergency Services
Ms. Cynthia Bridges, Executive Director, California State Board of Equalization
Ms. Selvi Stanislaus, Executive Officer, California Franchise Tax Board